

TEACHERS' RETIREMENT BOARD
BENEFITS AND SERVICES COMMITTEE

SUBJECT: Adoption of Rates for 2002-03
Contribution Rate for Additional Service Credit

ITEM NUMBER: 4a

ATTACHMENT(S): 1

ACTION: X

MEETING DATE: May 2, 2002

INFORMATION: _____

PRESENTER: Rick Reed

SUMMARY

The "Contribution Rate for Additional Service Credit" is used to determine the contributions due from a member of the Defined Benefit (DB) Program for the purchase of service credit for certain approved leaves of absence or service that has not been credited in the System. Section 22117 of the Education Code specifies that "Contribution rate for additional service credit" means the contribution rate adopted by the Teachers' Retirement Board (Board) as a plan amendment with respect to the DB Program for the purchase of service credit. This rate is based on the most recent valuation of the plan with respect to the DB Program, and is increased to include any subsequently required contribution rates designated for funding subsequent allowance increases.

At its October 10, 1991 meeting, the Board adopted the recommendations of the "Report on Benefit Structure Equity of the California State Teachers' Retirement System (CalSTRS) as Required Under SB 2469." As a result of the recommendation under Issue 10 of the Study, the base for the Contribution Rate for Additional Service Credit was changed from the 40-year funding rate to the Normal Cost Rate. The Normal Cost Rate is based on the cost of crediting service for the average ages of all members.

The Actuarial Valuation of the CalSTRS DB Program as of June 30, 2001 is being presented to the Board at the May Regular Meeting following the Benefits and Services Committee meeting. The Normal Cost Rate identified in the June 30, 2001 actuarial valuation, is 16.497 percent. Based on the Normal Cost Rate, the Contribution Rate for Additional Service Credit would be 16.497 percent for the 2002-2003 fiscal year. This is an increase from the rate of 16.423 percent adopted for the 2001-2002 fiscal year.

RECOMMENDATION

The staff recommends that the Benefits and Services Committee recommend to the Board that the Board adopt a Contribution Rate for Additional Service Credit of 16.497 percent for the 2002-2003 fiscal year, contingent upon the adoption by the Board of the Actuarial Valuation as of June 30, 2001.

PROPOSED
RESOLUTION
OF THE
TEACHERS' RETIREMENT BOARD
BENEFITS AND SERVICES COMMITTEE

SUBJECT: Adoption of Contribution Rate
for Additional Service Credit
for the 2002-2003 Fiscal Year

RESOLUTION NO. _____

WHEREAS, the Teachers' Retirement Law requires that the Teachers' Retirement Board adopt the Contribution Rate for Additional Service Credit to be used as the contribution rate for the purchase of permissive service credit, and

WHEREAS, on October 10, 1991, the Teachers' Retirement Board adopted the recommendations of the "Report on Benefit Structure Equity of the California State Teachers' Retirement System as Required Under SB 2469," which recommended that the Contribution Rate for Additional Service Credit be based on the Normal Cost Rate of the System, and

WHEREAS, based on the June 30, 2001 Actuarial Valuation, the Normal Cost Rate of the current benefit program is 16.497 percent of payroll; therefore, be it

RESOLVED that the Benefits and Services Committee recommend that the Teachers' Retirement Board adopt a Contribution Rate for Additional Service Credit of 16.497 percent for the 2002-2003 fiscal year, contingent upon the adoption by the Board of the Actuarial Valuation as of June 30, 2001.

Adopted by:
Benefits and Services Committee

Ratified by:

Teachers' Retirement Board

on May 2, 2002

JACK EHNES
Chief Executive Officer